

Transient Occupancy Tax Fund

M
I
S
S
I
O
N

T*o provide funding for Convention Facilities Operations and Maintenance, Cultural Grants, and the San José Convention and Visitors Bureau*

Beginning in 1982, the City Council initiated a 6% Transient Occupancy Tax (TOT) on all hotel/motel rooms in San José. The revenues are collected in the TOT Fund (461) and the increment of growth is distributed by formula to three program categories: Convention Facilities Operations and Maintenance, (50% of the TOT increase), Cultural Grants (25% of the TOT increase) and the San José Convention and Visitors Bureau (25% of the TOT increase).

Transient Occupancy Tax Fund

Budget Summary

	2007-2008 Adopted	2008-2009 Adopted	Change
Convention Facilities Operations and Maintenance	\$ 7,063,565	\$ 7,199,585	1.9%
Cultural Grants/Administration	\$ 5,151,736	\$ 5,656,746	9.8%
San José Convention & Visitors Bureau	\$ 3,725,100	\$ 3,793,110	1.8%

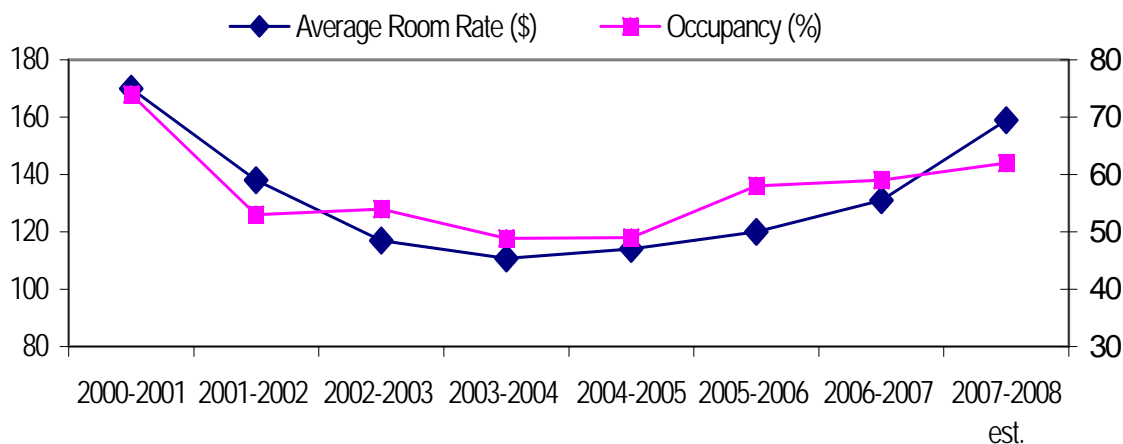
Budget Highlights 2008-2009

□ In 2008-2009, the number of available hotel rooms is expected to remain relatively unchanged from 2007-2008 levels, although slight increases in room rates and occupancy rates are anticipated.

□ In 2007-2008, TOT revenues, as well as allocations for the three recipient organizations, are expected to increase by approximately 12% from the 2006-2007 collection level. For 2008-2009, an additional 4% growth is anticipated from the 2007-2008 projection. It should be noted that the increases for the recipient organizations are masked by the fact that the 2007-2008 Adopted Budget included one-time disbursement funds from prior year revenues and a one-time rebudget for Cultural Grants.

Budget
Byte

TOT Indicators: Room Rates and Occupancy



Transient Occupancy Tax Fund

Fund Overview

By ordinance, the Transient Occupancy Tax (TOT) Fund (6% of the 10% TOT) is used to provide funding for Convention Facilities Operations and Maintenance, Cultural Grants, and the San José Convention and Visitors Bureau (CVB).

The 2008-2009 Adopted Budget for the City's Transient Occupancy Tax (TOT) Fund assumes a 12% increase in 2007-2008 when compared to 2006-2007 actual collections, and a 4% increase from the 2007-2008 projection in 2008-2009. The lower growth rate in 2008-2009 reflects the projected impact of a slowing economy.

The performance in this fund has, in past years, mirrored the overall performance of the economy. As a result, growth has been relatively strong in recent years, with increases of 13% in 2004-2005, 21% in 2005-2006, and 11% in 2006-2007, and projected growth of

12% in 2007-2008. The growth in these years, however, was preceded by three years in which collections declined significantly as a result of the recession in the early part of this decade.

In 2008-2009, the number of available hotel rooms is expected to remain relatively unchanged, with only modest increases in room rates and occupancy rates. The projection for overall growth of 4% in 2008-2009 will need to be closely monitored. If the economy deteriorates to a greater extent than currently anticipated, this growth factor may need to be adjusted downwards. To the extent that there are adjustments to the growth assumptions during the upcoming year, the allocations to the recipient organizations will also need to be revised.

Fund Summary

	2006-2007 Actual 1	2007-2008 Adopted 2	2007-2008 Estimate 3	2008-2009 Adopted 4	% Change (2 to 4)
Dollars by Sources					
Beginning Fund Balance	\$ 3,784,632	\$ 3,830,819	\$ 4,302,824	\$ 4,185,055	9.2%
TOT Revenues	12,800,000	13,375,000	14,336,000	14,909,440	11.5%
Interest	170,490	75,000	75,000	75,000	0.0%
Total	\$ 16,755,122	\$ 17,280,819	\$ 18,713,824	\$ 19,169,495	10.9%
Dollars by Uses					
Convention Facilities Operations and Maintenance	\$ 6,338,040	\$ 7,063,565	\$ 7,213,565	\$ 7,199,585	1.9%
Cultural Grants/Administration	2,751,921	5,151,736	3,474,812	5,656,746	9.8%
SJ Convention/Visitors Bureau	3,362,337	3,725,100	3,800,100	3,793,110	1.8%
Ending Fund Balance and Misc.	4,302,824	1,340,418	4,225,347	2,520,054	88.0%
Total	\$ 16,755,122	\$ 17,280,819	\$ 18,713,824	\$ 19,169,495	10.9%

Transient Occupancy Tax Fund

Budget Category: Convention Facilities Operations and Maintenance

Budget Category Overview

Convention Facilities Operations and Maintenance supports a portion of the administration, maintenance, and operations costs at the Convention Facilities operated by Team San José, which includes the Convention Center, Center for Performing Arts, California Theater, Montgomery Theater, Civic Auditorium, Parkside Hall, and McCabe Hall. The remaining operating costs are funded by operating revenues from these facilities, which are captured in the Convention and Cultural Affairs Fund. Because the total operating expenses are not delineated by funding source, the specific operations supported by TOT funding cannot be isolated. Personal services and non-personal/equipment expenses, which are partially funded by the

increment of growth in the TOT, appear in the Convention Facilities Department section of this document.

Approximately 48.3% of the total 2008-2009 TOT revenue is allocated to fund a portion of the operating expenses and maintenance at the Convention Facilities. Approximately \$6.2 million of the \$7.2 million transfer in 2008-2009 will be required for subsidizing operations; while the remaining \$1.0 million will be placed in the fund balance in the Convention and Cultural Affairs Fund.

Budget Category Summary

	2006-2007 Actual 1	2007-2008 Adopted 2	2007-2008 Estimate 3	2008-2009 Adopted 4	% Change (2 to 4)
Convention Facilities Operations and Maintenance	\$ 6,338,040	\$ 7,063,565	\$ 7,213,565	\$ 7,199,585	1.9%
Total	\$ 6,338,040	\$ 7,063,565	\$ 7,213,565	\$ 7,199,585	1.9%

Transient Occupancy Tax Fund

Budget Category: Cultural Grants

Budget Category Overview

Each year, the Arts Commission solicits and evaluates applications for funding under the Cultural Grants category (using criteria approved by the City Council). The Arts Commission then submits recommendations for Cultural Grants and Technical Assistance Grants to the City Council for consideration during the annual budget process. Approximately 26.3% of the total 2008-2009 TOT revenue is allocated to fund Cultural Grants. All unexpended Cultural Grant funding is traditionally rebudgeted for expenditure in the next fiscal year. It should be noted that while the 2008-2009 allocation for Cultural Grants reflects an increase of 9.8% from the 2007-2008 Adopted Budget, this is

because the 2007-2008 and 2008-2009 allocations include one-time rebudgets of unexpended funds from prior years. Once the one-time rebudgets and the additional funding that was budgeted in 2007-2008 from a Reserve for Future Distribution are accounted for, the 2008-2009 allocation reflects an increase of approximately 4% from the 2007-2008 estimated collection level.

Detailed information for the 2008-2009 TOT Cultural Grants program awards are listed in this section to provide a picture of the City's Cultural Grants Program.

Budget Category Summary

	2006-2007 Actual 1	2007-2008 Adopted 2	2007-2008 Estimate 3	2008-2009 Adopted 4	% Change (2 to 4)
Cultural Grants/Administration	\$ 2,751,921	\$ 5,151,736	\$ 3,474,812	\$ 5,656,746	9.8%
Total	\$ 2,751,921	\$ 5,151,736	\$ 3,474,812	\$ 5,656,746	9.8%

Transient Occupancy Tax Fund

Budget Category: San José Convention and Visitors Bureau

Budget Category Overview

Approximately 25.4% of the total 2008-2009 estimated TOT revenue in this fund is allocated to the San José Convention and Visitors Bureau (CVB). The City contracts with the CVB to provide long-term booking of events at the Convention Center, market the Convention Center, promote traveling to San José for business and pleasure, and assist visitors.

section of this document) and other sources such as San José businesses, restaurants, and hotels to provide similar services, which are not represented here. Excluding additional funding that was budgeted in 2007-2008 from a Reserve for Future Distribution; the 2008-2009 adopted amount reflects an increase of approximately 4% from the 2007-2008 estimated collection level.

CVB also receives funding from the General Fund (shown in the City-Wide Expenses

Budget Category Summary

	2006-2007 Actual 1	2007-2008 Adopted 2	2007-2008 Estimate 3	2008-2009 Adopted 4	% Change (2 to 4)
SJ Convention/Visitors Bureau	\$ 3,362,337	\$ 3,725,100	\$ 3,800,100	\$ 3,793,110	1.8%
Total	\$ 3,362,337	\$ 3,725,100	\$ 3,800,100	\$ 3,793,110	1.8%